TIW INDUSTRIES LTD.
and subsidiaries
Annual Report 1979

Mission

To manage a group of profitable businesses offering a select number of products/services of sufficient quality to allow us to assume and retain profitable niches in these markets, with evolving and appropriate response to changes in market demands.

To produce a consistent above average growth in earnings through the development and retention of outstanding management people and optimum utilization of assets.

To provide for employees' job satisfaction through challenging work environment and fair treatment thereby fostering the full development of their capabilities.

To remain conscious of our social responsibilities and consider the public interest in all our decisions.

TIW INDUSTRIES LTD.
and Subsidiaries

Head office
90 Sparks Street
Suite 1100
Ottawa, Ontario
K1P 5B4

Contents

Transfer agents and registrars
Montreal Trust Company, Montréal, Toronto, Ottawa and Calgary

Share listing
Common and Preferred, Montréal Stock Exchange

Auditors
Campbell Sharp, Chartered Accountants, Ottawa

Solicitors
Perley-Robertson, Panet, Hill & McDougall, Ottawa

Board of directors

T. S. Dobson, *Calgary*
Chairman, Easton United Securities Ltd.
R. A. Irwin, *London, Ontario*
Company Director
R. deWolfe MacKay, Q.C., *Montréal*
Advocate, Barrister, Solicitor
John R. McLernon, *Vancouver*
President and Chief Executive Officer,
Macaulay Nicolls Maitland & Co. Ltd.
Jean-Pierre Maurer, *New York*
Executive Vice-President,
Metropolitan Life Insurance Company
Yves J. Ménard, *Ottawa*
President and Chief Executive Officer
of the Corporation
M. Brian Mulroney, *Montréal*
President, Iron Ore of Canada Limited
Jean Simard, *Montréal*
Vice-President, Simcor Inc.
P. N. Thomson, *Coral Harbour, Bahamas*
Chairman of the Corporation

Officers

P. N. Thomson, *Chairman*
Yves J. Ménard, *President and Chief Executive Officer*
C. G. Penney, C.A., *Vice-President, Finance*
F. H. Bossons, *Secretary*
L. P. Constantin, C.A., *Comptroller*
G. M. Cullen, Adv., *General Counsel*
and Assistant to the President
Claude Hélie, C.A., *Treasurer*

Annual meeting of shareholders

The annual meeting of shareholders will be held on Thursday, April 24, 1980 at 2:30 p.m. in the Rideau Room, Four Seasons Hotel, 150 Albert Street, Ottawa, Ontario, Canada.

Financial highlights

	1979	1978
INCOME (in thousands)		
Total income	**$122,593**	$107,001
Earnings before extraordinary item	**1,363**	1,625
Extraordinary item	**647**	1,146
Earnings for the year	**2,010**	2,771
PER COMMON SHARE		
Earnings before extraordinary item	**$0.61**	$0.73
Total earnings	**0.93**	1.27
Dividends paid on common shares	**0.20**	0.20
FINANCIAL (in thousands)		
Working capital	**$ 18,122**	$ 12,079
Total assets	**105,105**	78,520
Long-term debt	**32,765**	21,125
Shareholders' equity	**29,892**	29,058

Directors' report to the shareholders

For 1979 our consolidated earnings reached $1,363,000 or 61 cents per common share before extraordinary item; this compares to $1,625,000 or 73 cents per share in 1978. Recovery of prior years' income taxes amounted to $647,000 as against $1,146,000 in the previous year. Thus our total 1979 earnings were $2,010,000 or 93 cents per common share as against $2,771,000 or $1.27 per share for 1978.

Strong consumer demand for durable goods had a positive influence on some of our operations: the furniture manufacturing group achieved record levels of both sales and profits; in turn, a healthy furniture market allowed our hardwood sawmill plant to reach record levels; our steel service centre continued to improve its performance in a sustained automotive and appliance market.

Our ski operations in 1979 were affected by poor snow conditions. The metals group suffered from both low demand in structural and steel platework and severe allocations from steel mills. In certain of our plants, production problems prevented us from fully capitalizing on favourable markets.

Consolidated income for 1979 was $122,593,000; this represents an increase of $15,592,000 or 14.6% over the 1978 level of $107,001,000. Our operating and administrative expenses increased by 14.4% or $14,124,000 over the previous year. We thus achieved a net improvement of $1,468,000 in net income from operations and investments.

This improvement in net income was more than offset by an increase of $2,198,000 in the cost of our capital structure. The higher depreciation expense reflects only in part the magnitude of the capital investment programme which began in 1978; many of the expansion projects were only completed in the latter part of 1979 and no depreciation is recorded in the accounts until completion. The largest cost increase relates to a substantial rise in interest rates.

During the past two years the Corporation invested $30,871,000 to expand existing operations of which 64.5% or $19,914,000 was devoted to projects in our Western Canadian ski facilities.

In 1979 additional commitments of $16,120,000 were made for expenditure in 1980. For the most part, they relate to additional facilities including two new plants; one in Calgary, Alberta for the production of oil field steam generating equipment to be sold through Struthers-TIW Ltd., a new joint venture with Struthers Thermo-Flood Corporation, a well-established U.S. manufacturer of similar equipment. The other is in Ireland for the fabrication of aluminium powder.

The foregoing expenditures and commitments have, for the most part, been financed by a combination of long-term equipment leases and a 15-year term loan from a consortium of Canadian chartered banks. The latter facility was also used to refinance existing bank term loans.

The unsettled economic outlook for 1980, combined with the expectation of continued high rates of interest, have caused us to re-assess our ability to support the investment programmes necessary to ensure the successful and profitable growth of all our operations. We have thus decided to divest ourselves of certain assets in order to reduce our exposure in the years ahead.

During the year, Mr. Jean-Claude Hébert resigned from the Board after many years of service. We thank him for his contributions and wish him well in the future. We welcomed as new Directors Messrs. M. Brian Mulroney and Thomas S. Dobson whose experience and judgment will be beneficial to your Corporation.

Finally, we want to express our gratitude to all our employees whose loyalty and dedication are our most important assets.

ON BEHALF OF THE BOARD

P. N. Thomson
Chairman

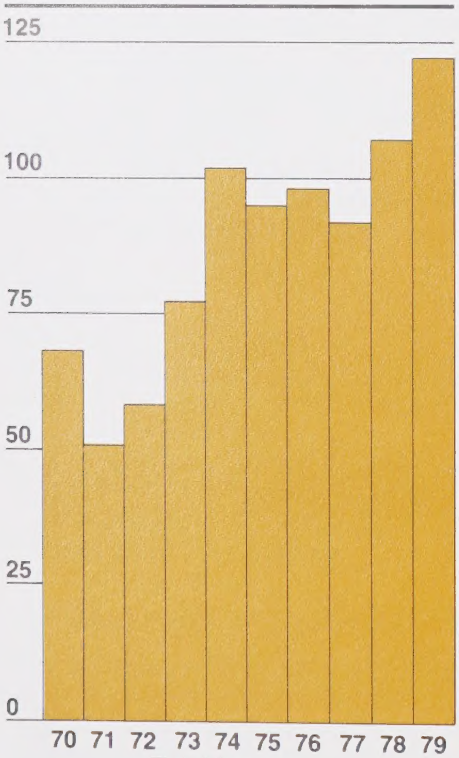
Yves J. Ménard
President and
Chief Executive Officer

Ottawa, March 27th, 1980

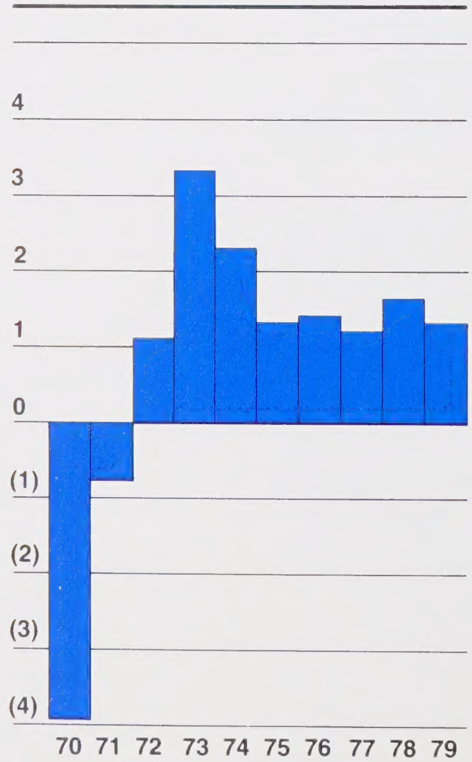
TIW INDUSTRIES LTD.
and Subsidiaries

Earnings and financial review

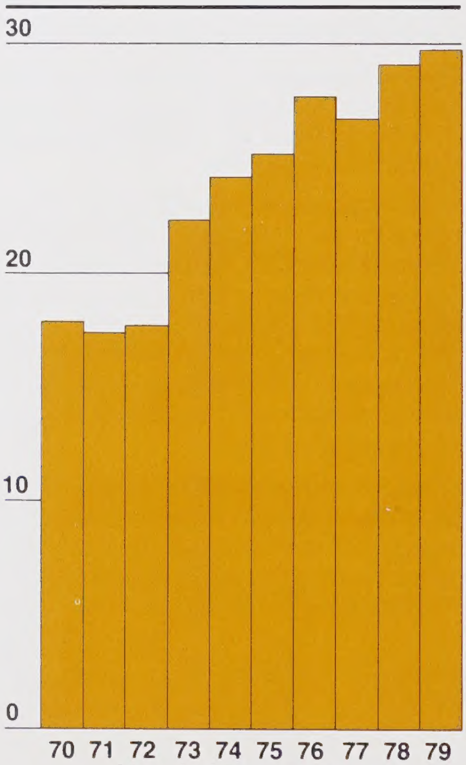
	1979	1978	1977	1976	1975	1974
EARNINGS (in thousands)						
Total income	**$122,593**	$107,001	$ 92,113	$ 98,658	$ 95,966	$102,080
Operating and administrative expenses	**111,584**	97,460	86,310	88,438	87,052	91,220
Depreciation and amortization	**3,560**	2,870	2,671	2,737	2,726	2,618
Interest expenses	**4,431**	2,923	2,523	2,762	3,001	3,318
Income taxes	**1,683**	2,023	604	3,316	1,752	2,497
Minority interest	**(28)**	100	(42)	(11)	47	53
Gain on sale of marketable securities	**—**	—	(1,199)	—	—	—
Earnings (loss) before extraordinary items	**1,363**	1,625	1,246	1,416	1,388	2,374
Extraordinary items	**647**	1,146	(700)	(133)	76	578
Total earnings (loss)	**$ 2,010**	$ 2,771	$ 546	$ 1,283	$ 1,464	$ 2,952
EARNINGS (LOSS) PER COMMON SHARE						
Earnings (loss) before extraordinary items	**$0.61**	$0.73	$0.51	$0.68	$0.67	$1.19
Total earnings (loss)	**0.93**	1.27	0.19	0.61	0.71	1.50
FINANCIAL — at year end (in thousands)						
Working capital	**$ 18,122**	$ 12,079	$ 13,254	$ 15,209	$ 15,849	$ 16,217
Net fixed assets	**45,008**	29,732	23,555	25,727	27,683	27,658
Total assets	**105,105**	78,520	69,679	75,015	71,865	72,605
Long-term debt	**32,765**	21,125	17,378	17,740	20,155	22,441
Shareholders' equity	**29,892**	29,058	26,871	27,668	25,010	24,047
NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	**1,962**	2,062	2,062	2,195	1,886	1,886



Total income
(in millions of dollars)

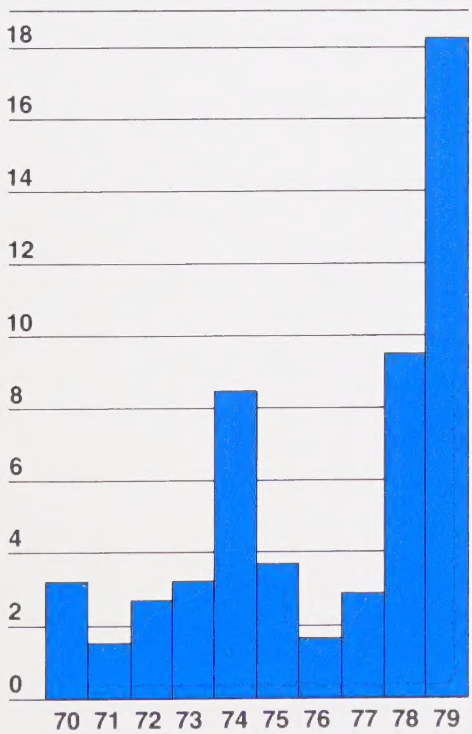


Earnings (loss) before extraordinary items
(in millions of dollars)



Shareholders' equity
(in millions of dollars)

	1973	1972	1971	1970
	$ 77,584	$ 58,548	$ 50,749	$ 68,417
	67,158	53,093	48,550	67,971
	2,171	1,573	1,323	1,923
	2,188	1,421	1,335	2,264
	2,691	1,301	293	333
	35	55	38	(108)
	—	—	—	—
	3,341	1,105	(790)	(3,966)
	1,046	132	236	(3,084)
	$ 4,387	$ 1,237	$ (554)	$ (7,050)
	$1.70	$0.51	$(0.52)	$(2.25)
	2.26	0.58	(0.39)	(3.93)
	$ 17,521	$ 11,990	$ 11,840	$ 8,364
	23,826	20,492	14,707	16,936
	67,771	52,070	39,200	52,801
	22,870	15,936	10,629	10,793
	22,105	17,865	17,382	17,936
	1,886	1,836	1,836	1,836



Investment in fixed assets
(in millions of dollars)

Additional information

The composition of the Corporation has undergone a substantial change during the period under review.

In 1970, investments in securities equalled 25.7% of total consolidated assets, whereas in 1979, they represented less than 1% of total consolidated assets.

In 1970, the Corporation completed a program started in 1968 of withdrawal from a number of unprofitable operations; these included the aircraft, aerospace and stevedoring activities. The latter was accomplished in 1971 with the sale of the assets of the Eastern Canada Stevedoring division which, during this period, accounted for approximately 35% of consolidated gross revenue.

In 1975, the Corporation sold the transit advertising division. During 1976, it disposed of the plastic sign division and the U.S.-based metal powders company. In 1977, it sold the Chantecler Hotel complex and proceeded to wind up the Bégin, Charland & Valiquette appraisal activity. These operations contributed individually, in the year of disposal, from 1.1% to 6.9% of consolidated gross revenue.

In 1978, the Corporation disposed of its subsidiary, Warnock Hersey Professional Services Ltd. which accounted for 9.7% of consolidated gross revenue for the period from 1970 to 1978.

The first venture into the furniture industry was made in 1968 with the acquisition of Henderson Furniture Limited and of Princeville Furniture Limited. A number of other companies have been added in 1972 and 1973 so that the Furniture Group now accounts for 23.9% of total consolidated assets and for 31.7% of consolidated gross revenue.

With the acquisition of the Toronto Iron Works, Limited, the Corporation entered the field of steel fabricating in 1972. Relabelled the Metals Group, this sector of activity now accounts for 34.4% of total consolidated assets and for 50.7% of consolidated gross revenue. In 1977, this group expanded its activity into the fabrication of satellite communication antennas. This sector of activity accounted for 6.9% of the consolidated gross revenue in 1979.

On December 31st, 1976, the Corporation acquired the P. Lawson Travel group of companies. It now accounts for 11.5% of total consolidated assets and for 10.7% of consolidated gross revenue.

TIW INDUSTRIES LTD.
and Subsidiaries

Financial review by groups (in thousands)

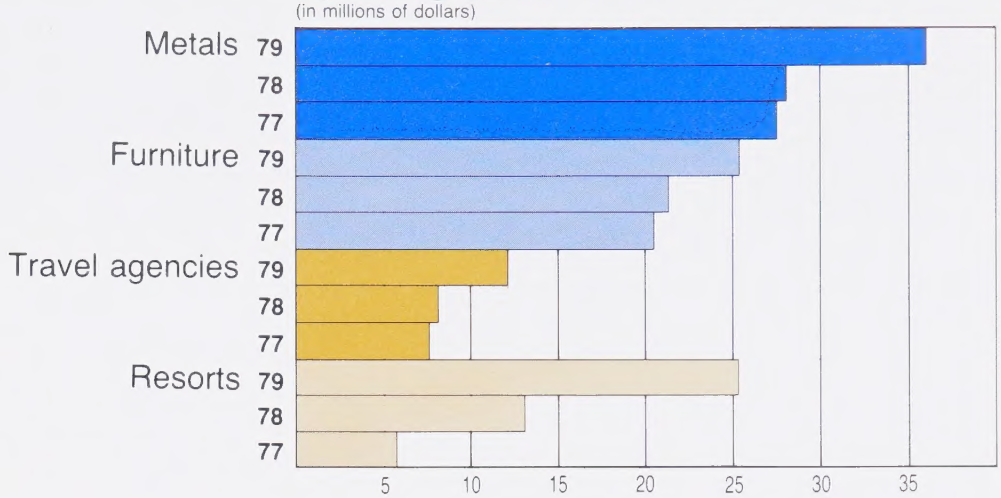
	Total Assets			Gross Revenue			Operating Profit		
	1979	1978	1977	**1979**	1978	1977	**1979**	1978	1977
Metals*	**$ 36,156**	$28,275	$27,503	**$ 62,211**	$ 49,974	$35,584	**$3,337**	$3,722	$1,278
Furniture	**25,139**	21,313	20,340	**38,803**	31,645	28,303	**5,566**	2,911	2,204
Travel	**12,097**	8,297	7,878	**13,106**	11,173	10,458	**735**	447	796
Resorts	**25,371**	13,102	5,886	**8,015**	7,167	5,333	**12**	1,439	1,014
Operating	**98,763**	70,987	61,607	**122,135**	99,959	79,678	**$9,650**	$8,519	$5,292
Discontinued operations	**—**	—	4,631	**—**	6,693	12,166			
Corporate and investments	**6,342**	7,533	3,441	**458**	349	269			
	$105,105	$78,520	$69,679	**$122,593**	$107,001	$92,113			

*This Group includes all steel fabricating and metal powders operations.

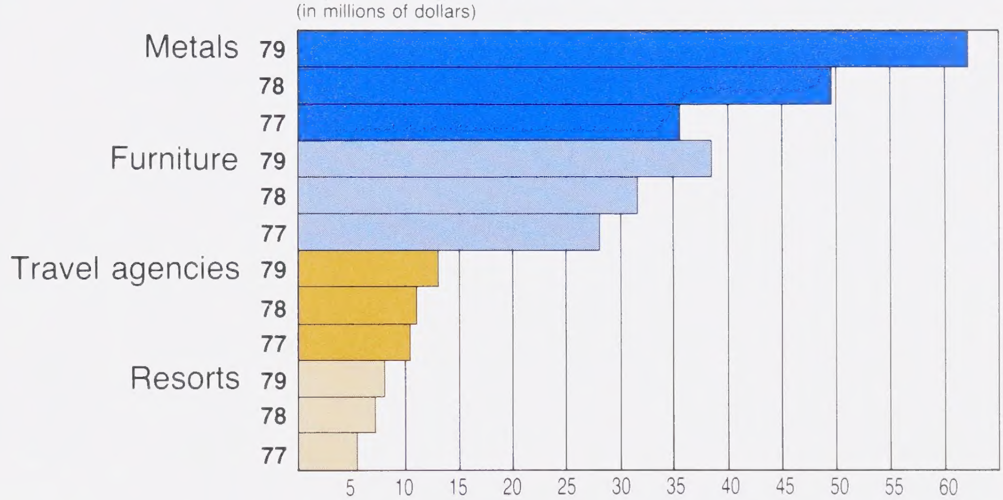
Reconciliation of operating profit to earnings (in thousands)

	1979	1978	1977
Operating profit	**$9,650**	$8,519	$5,292
Investment income	**458**	349	269
	10,108	8,868	5,561
Less: Amortization of intangible and deferred cost	**529**	414	381
Corporate administration	**2,130**	1,545	1,490
Interest expense	**4,431**	2,923	2,523
Income taxes	**1,683**	2,023	604
Minority interest	**(28)**	100	(42)
Net losses of discontinued operations	**—**	238	565
Gain on sale of marketable securities	**—**	—	(1,206)
Earnings before extraordinary items	**$1,363**	$1,625	$1,246

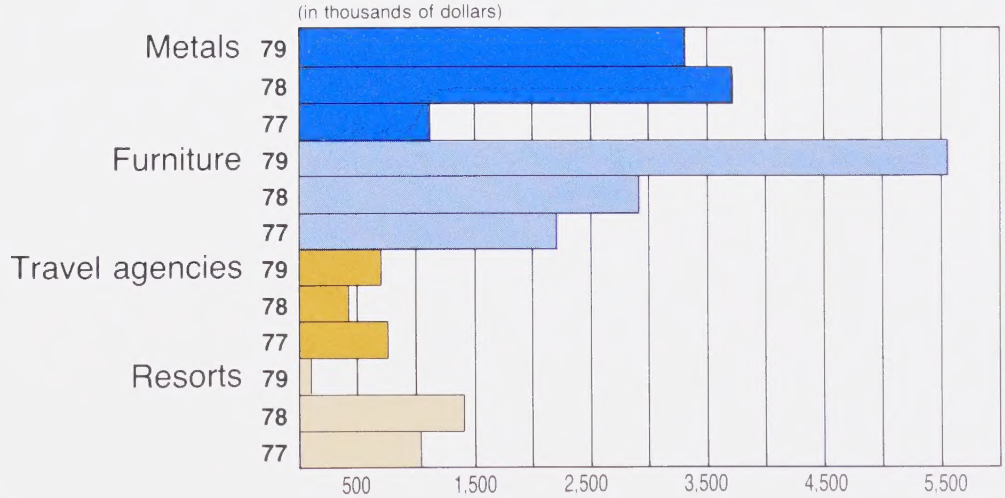
Operating assets
(in millions of dollars)



Operating revenue
(in millions of dollars)



Operating profit
(in thousands of dollars)



The metals group

This Group, which accounts for 51% of our consolidated gross revenue in 1979, increased its sales by $12 million or 24% over 1978 reaching a total of $62 million. That volume is $9 million or 17% higher than the previous record set in 1976.

Despite this volume increase, operating profit decreased marginally compared to the previous year. This Group is heavily involved in projects related to energy production through its Steel Platework division. Government indecision, in the field of energy policy during 1979, caused a continuing slump in market conditions. A severe allocation system, imposed by the steel mills, also had an adverse impact on this division as well as on other operations in the Metals Group, resulting in production delays and additional fabrication costs.

A major profit set-back also occurred in the Group's antenna fabrication operations. TIW Systems' market is world-wide, and the economic factors which affect its activities are therefore many and varied. Thus, rapidly increasing costs of shipping made it more difficult to be competitive particularly in the European and African markets. Also, the anticipated growth in satellite communications in the North American continent is somewhat restricted by regulatory agencies in the United States. The Federal Communications Commission appears reluctant to give too much power to a single organization in the field of broadcast and data communication. The small antenna market growth, currently stalled because of the above, will be exploited by additional new antenna suppliers, thus increasing competition in the industry.

In other sectors of activities of the Metals Group, improved market conditions contributed to offset most of the decrease in profit experienced by the above operations.

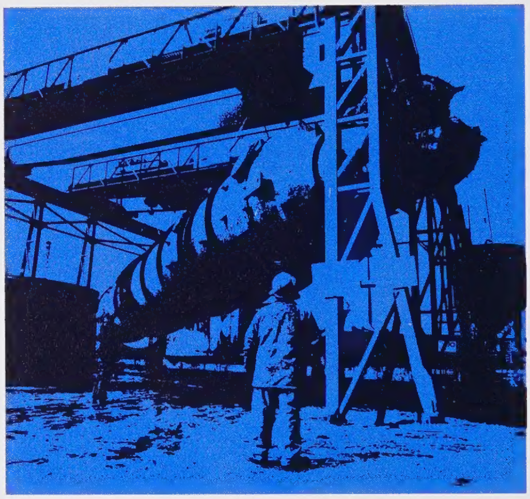
Significant improvement was achieved by the processing operation of Wimco Steel Sales Co. which benefited from the introduction of its new dry-lube process as well as through business created for the steel service centres by the steel mills delivery delays. However, the automotive market slump during the latter part of the year slowed down the activities.

The Metal Powders operation enjoyed strong market conditions in Canada, but the lack of aluminium paste and powder production facility, caused by an explosion and fire damage of its aluminium flaking plant in December of 1978, prevented full maximization of its profit potential in 1979.

The most significant sales increase was achieved by the Calgary-based C.K. Steel operation as a result of a higher level of activity in Alberta. However, increased competition has caused a temporary set-back on its profit potential.

Our presence in the dished head market through our C.E. Macpherson operation, continued strong in 1979. The division hopes to develop competitively in the upper New York State market.

One of the greatest opportunities for this Group in 1980 lies in the Alberta market created by an increasing level of activity in oil and gas related projects and an initial nominal demand for steam generators which is a new joint venture endeavour of the Group with Struthers Thermo-Flood Corporation, a reputable U.S. partner.



The furniture group

The furniture market was very buoyant until the fourth quarter of 1979. This caused a strong demand for hardwood products, which benefited the sawmill operation of the Industries Bourassa division. Prices for all grades of hardwood lumber products were very favourable throughout the year.

Production problems in two of our furniture plants prevented us from capitalizing to the fullest extent on such excellent market conditions. The most significant occurred at the Henderson division and was caused by the move from the Sir-Wilfrid-Laurier Boulevard location to the present Upper Edison Avenue plant in Saint-Lambert, Québec; the other arose from the introduction of a night shift at our Thibault plant in Sainte-Thérèse, Québec.

We experienced a strong demand for our furniture products throughout the year. Sales were maximized through the introduction of very popular new models by the Princeville division, as well as by adding to our large volume client list of the Marius Ouellet division.

In recent months the current level of interest rates has brought about a substantial decrease in the sales backlog position; there is also a reduction in both demand and prices in the hardwood lumber market.

Thus, the first half of 1980 could be difficult but demand in the second half should pick up again if interest rates soften at that time.

On January 1, 1980, Mr. J. Albert St-Pierre retired as President of the Radisson Furniture Group after twelve years of service. His continued contribution as Special Advisor to the President of the Corporation will be most valuable. We take this opportunity to sincerely thank this loyal and dedicated executive and to offer our best wishes to his successor, Mr. Armand Labbé.

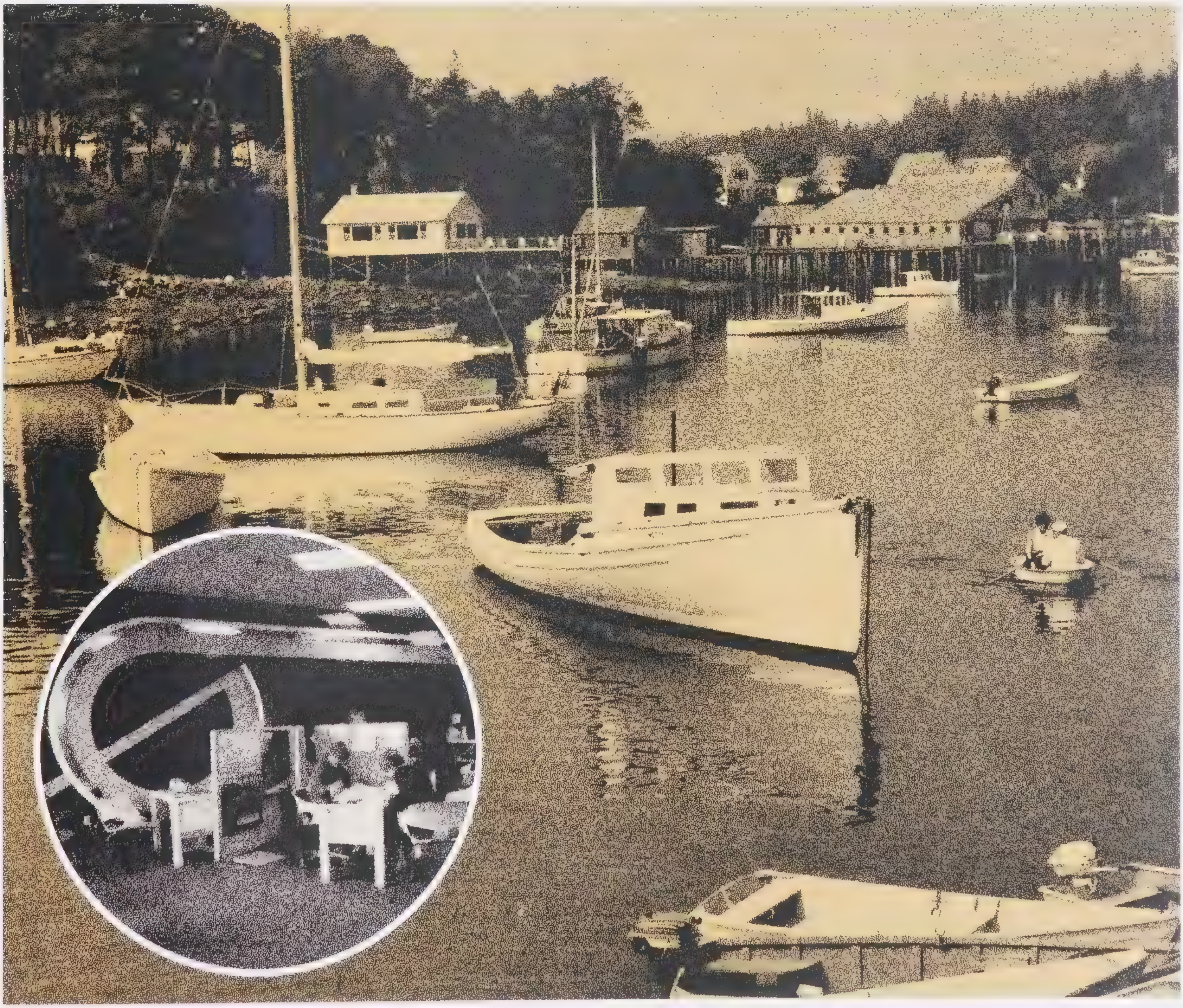
The travel agency group

Following a difficult year in 1978, the Group proceeded to a consolidation of its operations in 1979 and had two main objectives: increased productivity and reduction of the rate of increase in operating costs. Thus, a concentrated effort was made to obtain a better product mix of business and holiday travel. In addition, greater efficiency was achieved by the consolidation of certain offices.

This enabled us to reverse the downward trend in the overall rate of commission revenue experienced over the previous four years, while our operating expenses increased by 8.5% in 1979 compared to 11.9% in 1978. As a result we more than doubled the level of profit versus the previous year.

Despite an overall decrease in the level of consumer spending in the latter part of 1979, it appears that travelers have not changed their habits with respect to holiday travel. Travel and holidays away from home have become an integral part of the Canadian lifestyle and we believe the market will remain strong in 1980.

We are committed to a continuous improvement of our productivity as the most advantageous way to combat the high level of interest rates and unrelenting inflationary pressures.



The resorts group

At both ski resort operations in Western Canada, Garibaldi Lifts at Whistler Mountain in B.C. and Sunshine Village in Banff, Alberta, major activities related to pursuing the expansion program which began in the latter part of 1977.

At Garibaldi preliminary work and studies continued with respect to the development of the north side of Whistler Mountain. Negotiations are also in progress to ensure adequate parking facilities at the bottom of the mountain, as well as the sale of certain land. Proceeds of this sale would provide the funds necessary to carry out a development program currently estimated at $5 million. In 1979 we spent approximately $1.5 million to improve our existing facilities. The contemplated expansion is designed to enable Garibaldi to capitalize on the development of Whistler Village as a major world-wide year-round resort area. At the operating level Garibaldi was adversely affected, in the calendar year 1979, by the early closing of its 1978-79 ski season combined with the late opening of its 1979-80 ski season attributable, in both instances, to unusually poor snow conditions.

At Sunshine Village the major elements of the expansion program in 1979 consisted in the construction of a three-mile gondola system to replace bus transportation from the parking lot to the village and the construction of auxiliary facilities including additional staff quarters, parking area and sewage treatment plant at an approximate cost of $12 million which, added to expenditures of approximately $5 million in 1978, brought the expansion program at Sunshine to a total cost of about $17 million. The rate of growth of the skier market, in the Calgary/Banff area, is in line with expectations. However, delays in the delivery of the gondola lift system resulted in a late opening for the current season. Additional costs were therefore incurred for bus transportation from opening day on December 22, 1979, until February 1980 when the gondola became operational. We take this opportunity to express our appreciation to Brewster Transport for their assistance in enabling us to provide access to the village during this period.

Thus, while 1979 was a difficult operating year at both our ski resorts, the continuing market growth at both locations augurs well for the future.

Global Travel Computer Services Ltd.

Despite some delays in the implementation of the new TCS II on-line computer system for the retail travel industry, progress was made in the development of this new product in 1979.

The initial development of the system was made from a strictly Canadian market client-base. During the year the establishment of a national network by ITT Electronic Travel Services, Inc. opened an opportunity for rapid implementation and marketing in the United States. Negotiations are currently in progress and we are hopeful that such a system can be successfully implemented in 1980. Other products are being developed by the Group to enable it to diversify into other sectors of activity. Some of these will be ready and marketable in 1980.

Our operating structures were increased to handle these projects. Combined with the additional workload resulting from new reporting requirements by regulatory agencies our operating costs increased at a far greater rate than our revenues.

We hope to partially rectify the situation in 1980 through the successful completion and marketing of our new systems added to a greater level of efficiency in handling our basic product line.

TIW INDUSTRIES LTD.
and Subsidiaries

Consolidated statement of earnings
for the year ended December 31, 1979 (in thousands)

	1979	1978
INCOME		
Gross revenue from operations	$122,135	$106,547
Income from investments	458	454
	122,593	107,001
EXPENSES		
Operating and administrative	111,584	97,460
Depreciation and amortization	3,031	2,456
Amortization of intangible and deferred cost	529	414
Interest long-term	2,916	2,158
Other interest	1,515	765
Income taxes	1,683	2,023
Minority interest	(28)	100
	121,230	105,376
EARNINGS BEFORE EXTRAORDINARY ITEM	1,363	1,625
EXTRAORDINARY ITEM	647	1,146
EARNINGS FOR THE YEAR	$ 2,010	$ 2,771
EARNINGS PER COMMON SHARE		
Before extraordinary item	$0.61	$0.73
After extraordinary item	$0.93	$1.27

Consolidated statement of retained earnings
for the year ended December 31, 1979 (in thousands)

	1979	1978
RETAINED EARNINGS, January 1	$ 14,284	$ 12,047
Earnings for the year	2,010	2,771
Gain on redemption of shares	68	—
Dividends paid — preferred shares	(116)	(121)
— common shares	(407)	(413)
RETAINED EARNINGS, December 31	$ 15,839	$ 14,284

TIW INDUSTRIES LTD.
and Subsidiaries

Consolidated statement of changes in financial position
for the year ended December 31, 1979 (in thousands)

	1979	1978
WORKING CAPITAL INCREASED BY		
Earnings before extraordinary item	$ 1,363	$ 1,625
Items not requiring an outlay of funds:		
Depreciation and amortization	3,031	2,456
Amortization of intangible and deferred cost	529	414
Deferred income taxes	708	521
Minority interest in earnings	(28)	100
Gain on disposal of fixed assets	(95)	(104)
Decrease in equity in investments — other	105	—
Working capital increased by operations, exclusive of extraordinary item	5,613	5,012
Extraordinary item	647	1,146
	6,260	6,158
Proceeds on issue of long-term debt, net of amounts used to finance fixed asset additions of $7,100 and retire existing long-term debt of $17,704	6,699	8,129
Proceeds on disposal of fixed assets	535	686
Reduction in mortgages and notes receivable	283	81
Sale of subsidiary company	—	229
	13,777	15,283
WORKING CAPITAL DECREASED BY		
Reduction in long-term debt	235	4,330
Purchase of fixed assets and capital leases, net of amounts financed by long-term debt of $15,050	3,345	9,514
Payment of dividends	523	534
Purchase of shares for cancellation, net of reductions in executive stock purchase plan of $468	185	31
Increase in other investments	727	729
Investment in mortgages	122	437
Purchase of minority interest	597	367
Increase in deferred cost	1,482	516
Reduction in obligations under capital leases	518	—
	7,734	16,458
INCREASE (DECREASE) IN WORKING CAPITAL	6,043	(1,175)
WORKING CAPITAL, JANUARY 1	12,079	13,254
WORKING CAPITAL, DECEMBER 31	$ 18,122	$ 12,079

TIW INDUSTRIES LTD.
and Subsidiaries

Consolidated balance sheet
as at December 31, 1979 (in thousands)

Assets	1979	1978
CURRENT		
Cash and deposit receipts	$ 1,833	$ 2,693
Accounts receivable	27,438	22,830
Inventories	17,799	11,749
Deferred income taxes	—	107
Prepaid expenses and other current assets	1,190	1,104
	48,260	38,483
INVESTMENTS		
Mortgages and notes receivable	3,114	3,275
Advances in respect of executive stock purchase plan	—	468
Other	2,001	1,379
	5,115	5,122
FIXED		
Land, buildings and equipment	72,188	54,143
Less: Accumulated depreciation	27,180	24,411
	45,008	29,732
DEFERRED COST	1,819	402
INTANGIBLE		
Excess of cost of subsidiaries over the values assigned to the net assets	6,378	5,844
Less: Accumulated amortization	1,475	1,063
	4,903	4,781
	$105,105	$ 78,520

ON BEHALF OF THE BOARD

Yves J. Ménard, Director
R.A. Irwin, Director

Liabilities

	1979	1978
CURRENT		
Bank indebtedness	$ 10,010	$ 7,395
Accounts payable and accrued liabilities	18,140	14,306
Dividends payable	28	25
Income and other taxes payable	1,022	1,202
Long-term debt due within one year	256	3,476
Obligations under capital leases due within one year	472	—
Deferred income taxes	210	—
	30,138	26,404
LONG-TERM DEBT, net of current portion	32,765	21,125
OBLIGATIONS UNDER CAPITAL LEASES, net of current portion	9,760	—
DEFERRED INCOME TAXES	2,272	1,564
MINORITY INTEREST	278	369

Shareholders' Equity

CAPITAL STOCK		
Preferred shares	1,872	1,972
Common shares	12,181	12,802
	14,053	14,774
RETAINED EARNINGS	15,839	14,284
	29,892	29,058
	$105,105	$ 78,520

Auditors' Report

To the Shareholders,
TIW Industries Ltd.

We have examined the consolidated balance sheet of TIW Industries Ltd. as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Campbell Sharp
Chartered Accountants

Ottawa, February 15, 1980

TIW INDUSTRIES LTD.
and Subsidiaries

Notes to the consolidated financial statements

December 31, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) **Basis of consolidation:**

The consolidated financial statements include the accounts of the Corporation and all its subsidiaries.

The excess of the cost of acquiring a new business, over the underlying book value of net assets acquired, is allocated first to such of the acquired assets as may be undervalued in the accounts of the new business. Any excess is carried in the consolidated balance sheet as an intangible asset and amortized over a reasonable period of time depending on the nature and size of the operations acquired.

During the year, the Corporation acquired 2½% of the shares of TIW Systems Limited from the minority shareholders for a cash consideration of $597,000. Of this amount, $534,000 was allocated to intangible assets and is being amortized over a ten year period. The Corporation is committed to purchase the remaining 5% of the shares of TIW Systems Limited, currently held by the minority shareholders, over a two year period to 1981 at a price based on annual profits.

Additional purchase consideration for C.K. Steel & Machinery Ltd., purchased in 1977, is to be computed annually as a percentage of net equity, payable in varying instalments from 1980 to 1982 at the option of the vendor. Any additional purchase consideration up to an amount of $386,000 will be allocated to tangible assets and any excess carried as an intangible asset.

Of the total amount of $6,378,000 accumulated to date as an intangible asset, $5,553,000 is being amortized over a twenty year period and $825,000 is being amortized over a ten year period.

B) **Inventories:**

Inventories, including construction contracts in progress have been consistently valued at the beginning and end of the year at the lower of cost and net realizable value. Cost in the case of products manufactured consists of direct material and labour costs together with the relevant factory overheads. The "completed contract" method of accounting is followed for construction contracts in progress, and accordingly, profits on contracts are only recognized when the final stage of completion has been reached, any losses on contracts are provided for as soon as such become apparent.

C) **Other investments:**

Investments in joint ventures, for the purpose of carrying out oil and gas exploration programs in the amount of $1,869,000 are carried at the lower of cost and estimated market value. Earnings, including revenues from the production of oil and gas wells, will only be recognized in the accounts upon full recovery of the original investment. Certain of these investments are in the form of common shares or debentures convertible into common shares. Other investments in the amount of $132,000 are related to a residential development project in Florida, U.S.A. and are carried at equity.

D) **Fixed Assets:**

The major categories of fixed assets are as follows:

	1979			1978
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 3,522,000	—	$ 3,522,000	$ 3,752,000
Buildings	17,582,000	$ 6,116,000	11,466,000	9,613,000
Machinery and equipment:				
— Capital Leases	10,515,000	322,000	10,193,000	—
— Other	32,341,000	19,836,000	12,505,000	10,506,000
Construction in progress	6,010,000	—	6,010,000	4,997,000
Other	2,218,000	906,000	1,312,000	864,000
	$72,188,000	$27,180,000	$45,008,000	$29,732,000

Leasehold improvements are amortized over the terms of the related leases. Depreciation of buildings is provided at rates varying from 2½% to 10% and depreciation for machinery and equipment and other assets is provided at rates varying from 5% to 30%. Equipment under capital leases is amortized on a straight-line basis at rates varying from 5% to 12½%.

E) **Deferred cost:**

	Straight-line Amortization Over	1979			1978
		Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer development	8 years	$ 1,295,000	—	$ 1,295,000	$ 226,000
Refinancing expenses	15 years	350,000	—	350,000	—
Other	various	405,000	$ 231,000	174,000	176,000
		$ 2,050,000	$ 231,000	$ 1,819,000	$ 402,000

Amortization of deferred cost commences upon completion of the individual projects.

2. MORTGAGES AND NOTES RECEIVABLE

	1979	1978
A) Advances to employees and officers: Second mortgage loans, interest free, receivable in equal consecutive monthly instalments to 1997, granted to six officers (including one who is also a director) and five employees	$ 375,000	$ 315,000
B) 9% first mortgage, receivable in monthly instalments of $5,000 plus interest with the balance becoming due on Aug. 31, 1987	2,510,000	2,570,000
C) Note receivable bearing interest at bank prime rate plus 1½% repayable in three equal consecutive annual instalments	435,000	580,000
D) Other	20,000	35,000
	3,340,000	3,500,000
Less: Amounts due within one year included in current assets	226,000	225,000
	$ 3,114,000	$ 3,275,000

3. LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES, net of current portion

A) Bank Syndicated Loan	$29,060,000
B) Term Bank Loan	2,711,000
The above loans are repayable over twelve years commencing in 1983 and bearing interest at bank prime rate plus 1½%	
C) 11% mortgages, repayable over a period of twenty years up to 1999	637,000
D) Other loans — secured	357,000
	32,765,000
E) Obligations under capital leases	
— repayable over fifteen years and bearing interest at fixed interest rates renewable every five years currently averaging 10.6%	$ 8,822,000
— repayable over five years up to 1984 and bearing interest at rates ranging from 9% to 14%	938,000
	9,760,000
	$42,525,000

The bank syndicated loan was utilized to (I) refinance existing long-term debt amounting to $20,210,000 of which $2,506,000 was included in current liabilities in 1978, (II) finance acquisitions of fixed assets aggregating $6,450,000, (III) provide additional working capital of $2,400,000.

As collateral for the bank syndicated loan, the Corporation has issued series A to E debentures in the amount of $37,560,000 secured by a fixed and floating charge on the fixed assets of certain divisions and a subsidiary. The series "E" debenture of $8,500,000 which ranks pari passu with the series A to D debentures has been issued as collateral security with respect to a capital lease. The term bank loan is secured by a demand debenture of $5,000,000 having a fixed and floating charge on all real, movable and immovable property of a subsidiary.

Current bank indebtedness is secured by certain accounts receivable and inventories.

Capital repayments are as follows:

	Term and Other Loans	Capital Leases
1980	$ 256,000	$ 1,571,000
1981	105,000	1,571,000
1982	107,000	1,579,000
1983	2,875,000	1,449,000
1984	2,869,000	1,329,000
	$ 6,212,000	7,499,000
1985 to 1994		12,805,000
		20,304,000
Less interest portion		10,072,000
		$10,232,000

4. CAPITAL STOCK

A) **Authorized**

The authorized capital stock of the Corporation consists of an unlimited number of cumulative, no par value preferred shares issuable in series and an unlimited number of no par value common shares.

B) **Issued**

	1979	1978
74,875 preferred shares (1978 — 78,870 shares) $1.50 series "A" redeemable at $26.25	**$ 1,872,000**	$ 1,972,000
1,961,847 common shares (1978 — 2,061,847 shares)	**12,181,000**	12,802,000
	$14,053,000	$14,774,000

C) During the year the Corporation purchased for cancellation 3,995 preferred shares and 100,000 common shares. The latter had previously been set aside for the establishment of an executive stock purchase plan.

5. EXTRAORDINARY ITEM

The extraordinary item represents a reduction in income taxes through utilization of loss-carry-forward.

Losses accumulated in prior years by a subsidiary which have not been reflected in these financial statements amount to approximately $1,162,000 and expire as to $236,000 in 1982, $453,000 in 1983, $189,000 in 1984 and $284,000 in 1985.

6. CONTINGENT LIABILITIES

On August 16, 1974, an action was instituted in the Superior Court, District of Montreal, against the Corporation and a former subsidiary, by Lockheed Aircraft Corporation, claiming $7,949,000 arising from the cancellation of a supply contract by the subsidiary. Lockheed Aircraft Corporation filed on February 14, 1977, an amended action reducing its claim from $7,949,000 to $2,721,000. This action continues to be contested vigorously. A counterclaim against Lockheed Aircraft Corporation in the amount of $2,000,000 in relation to the same matter is likewise being pursued actively.

Capital Management Limited, a subsidiary company, and its subsidiary All-Canadian Group Distributors Limited, are defendants in various lawsuits arising out of a management agreement. The trial took place in 1978; however, a decision has not yet been rendered. Legal counsel is of the opinion that such lawsuits are not well founded.

Management and legal counsel are of the opinion that adequate provision has been made in the accounts for the foregoing matters.

The Corporation is contingently liable as guarantor for loans, amounting to $3,200,000 U.S., to a joint venture in which it has a minority interest.

7. CLASSES OF BUSINESS

The Board of Directors has determined the following classes of business in accordance with Statistics Canada Standard Industrial Classification Code and the revenue for each class is as follows:

	1979	1978
Manufacturing		
Household furniture	**$ 32,904,000**	$ 26,304,000
Boiler and plate work	**29,310,000**	20,357,000
Satellite communication antennas	**8,404,000**	9,688,000
Sawmill	**5,899,000**	5,341,000
Fabricated structural metal	**5,092,000**	3,471,000
Miscellaneous metal	**7,401,000**	6,450,000
Wholesale Trades		
Metal and metal products	**12,004,000**	9,968,000
Services		
Engineering and scientific	**—**	6,693,000
Resort and ski centers	**8,015,000**	7,103,000
Other	**13,106,000**	11,172,000
	$122,135,000	$106,547,000

8. COMMITMENTS

The Board of Directors has approved an aggregate amount of approximately $16,120,000 for the purchase of fixed assets and investment of which $5,500,000 will be financed by the sale of certain fixed assets and $7,800,000 by way of additional long-term debt of which $4,800,000 has already been secured. The sale of certain fixed assets would result in an estimated net after tax gain of $4,000,000.

9. CONTRACTUAL OBLIGATIONS

Average annual minimum rentals currently under long-term leases are as follows: 1980 — $1,414,000, 1981 — $1,088,000, 1982 — $689,000, 1983 — $572,000, 1984 — $425,000.

10. EARNINGS PER SHARE

Net earnings per common share is based on the average number of shares outstanding during the year after deduction of the preferred dividend.

Principal operating companies or divisions

Metals group

(Head Office)
629 Eastern Avenue
Toronto, Ontario M4M 1E4
(416) 461-8111

W. Morris, *President*
W. P. Petrie, *Vice-President / Finance*
G. T. Karna, *Comptroller*

Steel Platework Division
629 Eastern Avenue
Toronto, Ontario M4M 1E4
(416) 461-8111

D. M. Cameron, *President*

C. E. Macpherson Company
468 Rideau Street
Kingston, Ontario K7L 4W2
(613) 549-2001

R. B. McIntyre, *President*

Central Bridge Company
300 West Street
Trenton, Ontario K8V 5R8
(613) 392-2851

A. E. Paine, *Assistant General Manager*

Wimco Steel Sales Co.
1218 South Service Road
Oakville, Ontario L6L 5J9
(416) 827-9855

G. J. Scott, *President*

TIW Systems Limited
629 Eastern Avenue
Toronto, Ontario M4M 1E4
(416) 461-8111

D. M. Cameron, *President*

TIW Systems Inc.
1284 Geneva Drive
Sunnyvale, Calif. 94086
(408) 734-3900

R. Luik, *President*
L. E. Becker, *Vice-President*

Les Constructeurs d'Acier TIW Limitée
315-750 Laurentian Blvd.
Ville St-Laurent, Qué. H4M 2M4
(514) 747-9353

D. M. Cameron, *Vice-President and General Manager*

C. K. Steel & Machinery Ltd.
4619 - 6A Street N.E.
Calgary, Alberta T2E 4B4
(403) 276-7971

S. L. Kerby, *President*
L. Csepregi, *General Manager*

Struthers - TIW Ltd.
4619 - 6A Street N.E.
Calgary, Alberta T2E 4B4
(403) 276-7971

S. L. Kerby, *President*

International Bronze Powders Company
29 East Park Street
Valleyfield, Qué. J6S 1P8
(514) 373-0233
Montréal direct: 866-8514

E. T. Stanger, *President*

Canbro Division
29 East Park Street
Valleyfield, Qué. J6S 1P8
(514) 373-0233
Montréal direct: 866-8514

E. T. Stanger, *President*

Canbro (U.K.) Limited
Willowside Industrial Estate
York Way, Royston, Herts
England SG8 5HJ
Tel: (0763) 41244

G. B. Nelson, *Managing Director*

Canbro (Ireland) Limited
Granny Ferry County
Kilkenny, Ireland

T. A. Barry, *General Manager*

Furniture Group

(Head Office)
Radisson Furniture Limited
465 Victoria Avenue
Saint-Lambert, Qué. J4P 2J2
(514) 672-0313

A. Labbé, *President*
C. Bourdeau, *Comptroller*
R. A. Séguin, *General Sales Manager*
C. Latour, *Research and Product Development Manager*

Henderson Division
199 Upper Edison Avenue
Saint-Lambert, Qué. J4R 2R3
(514) 671-7221

C. Pothier, *Executive Vice-President*

Princeville Division
55 des Erables Street
Princeville, Qué. G0P 1E0
(819) 364-5506

R. Fauteux, *Executive Vice-President*

Thibault Division
6 Saint-Alphonse Street
Sainte-Thérèse, Qué. J7E 1G3
(514) 430-2710

H. Chôquet, *Executive Vice-President*

Marius Ouellet Division
Disraéli, Qué. G0N 1E0
(418) 449-2530

D. Ouellet, *Executive Vice-President*

Royal Chesterfield Division
328 De Bigarré Street
Victoriaville, Qué. G6P 4Z2
(819) 752-9724

R. Piché, *Executive Vice-President*

Industries Bourassa Division
Saint-Raymond, Qué. G0A 4G0
(418) 337-2233

G. Potvin, *Executive Vice-President*

Travel agency group

(Head Office)
P. Lawson Travel Ltd.
1415 -2 Carlton Street
Toronto, Ontario M5B 1K2
(416) 363-7581

J. A. Powell, *President*
D. W. Collett, *Vice-President*
J. B. MacDougald, *Vice-President*
M. T. Nicholson, *Vice-President*

63 offices across Canada in conjunction with:
Bel-Air Travel Inc.
P. Lawson Travel (B.C.) Ltd.

Resorts group

Sunshine Village Division
P.O. Box 1510
Banff, Alberta T0L 0C0
(403) 762-3383

J. R. Gow, *Executive Vice-President*
N. Crerar, *Vice-President*
J. P. Layman, *Vice-President*
R. Kowalewich, *Controller*

Garibaldi Lifts Ltd.
602-325 Howe Street
Vancouver, B.C. V6C 1Z7
(604) 684-4471

F. M. Wilhelmsen, *President*
P. C. Alder, *General Manager*
D. Balfour, *Comptroller*

Others

Global Travel Computer Services Ltd.
719 - 2 Carlton Street
Toronto, Ontario M5B 1J3
(416) 977-7321

E. J. Bryant, *President*
D. R. Delamere, *Vice-President*
B. J. Crombleholme, *Vice-President*
A. L. Taylor, *Vice-President*

TIW Investment Services Ltd.
Suite 1100, 90 Sparks Street
Ottawa, Ontario K1P 5B4
(613) 238-1888

J. A. Lowden, *President*
P. A. Thomson, *Vice-President*

TIW Investment Services (Ontario)
816-500 University Avenue
Toronto, Ontario M5G 1V7
(416) 598-1600

L. W. Foy, *Vice-President*
W. K. Fraser, *Vice-President*

Courbec Mortgage Management Inc.
1500-2050 Mansfield Street
Montréal, Qué. H3A 1Y9
(514) 282-0508

J. E. Prehogan, *President*
P. A. Thomson, *Vice-President*

Global Coatings Limited
39 Victoria Street
P.O. Box No. 776
Hamilton 5, Bermuda
(809) 292-2195

J. H. Kaufmann, *President*

Si vous préférez posséder ce rapport en français,
prière d'en faire la demande à l'adresse suivante:

Les Industries TIW Ltée,
90 rue Sparks, suite 1100
Ottawa (Ontario)   K1P 5B4
Ou appelez-nous au (613) 238-1888